

MINUTES OF REGULAR MEETING OF KISSIMMEE UTILITY AUTHORITY,
WEDNESDAY, SEPTEMBER 22, 1999, 6:00 P.M., BRINSON BOARDROOM,
ADMINISTRATION BUILDING, 1701 WEST CARROLL STREET, KISSIMMEE,
FLORIDA.

Present were Chairman Walter, Vice-Chairman Guthrie, Assistant Secretary Gant, Secretary Toro, Director Hord, Attorney Brinson, General Manager Welsh and Recording Secretary Fizer. Mayor Attkisson was absent.

A. MEETING CALLED TO ORDER at 6:00 P.M. by Chairman Walter.

B. PLEDGE OF ALLEGIANCE TO THE FLAG

The Board and audience recited the Pledge of Allegiance.

C. AWARDS AND PRESENTATIONS

1. 10-YEAR SERVICE AWARD - GARRY BRANDT

Mr. Brandt is an Accountant/Analyst in Finance. Mr. Welsh noted his accomplishments and thanked him for his service. Mr. Brandt was presented a watch and certificate by Chairman Walter.

2. 5-YEAR SERVICE AWARD - VICTOR SANCHEZ

General Manager Welsh noted that Victor Sanchez, a meter reader in the Marketing Department, was not able to attend the meeting. Mr. Sanchez would be given his award later by his supervisor.

3. EMPLOYEE DEGREE RECOGNITION - TODD ANDREWS - BACHELOR OF ARTS IN BUSINESS MANAGEMENT UNIVERSITY PALMERS GREEN

Todd Andrews, a supervisor in the meter reading division, was honored for his completion of a Bachelor of Arts degree in Business Management at University Palmers Green. General Manager Welsh commended Mr. Andrews for this accomplishment. Chairman Walter presented him a plaque noting this achievement.

4. EMPLOYEE OF THE MONTH FOR OCTOBER - PAM HOLLOWAY

General Manager Welsh noted that Pam Holloway, a meter reader in Support Services, has been selected October employee of the month. He noted that Ms. Holloway was chosen by her peers and this makes it a very special award. Ms. Holloway's customer service skills and versatility were applauded. Chairman Walter presented Ms. Holloway an award, Secretary Toro gave her a check, Director Guthrie noted that she would be given a special parking space and Director Hord informed Ms. Holloway that she would receive a day off with pay.

D. HEAR THE AUDIENCE - None.

E. PUBLIC HEARING - None.

F. INFORMATIONAL PRESENTATIONS (REQUIRING NO ACTION) - None.

G. OLD BUSINESS

1. RESOLUTION 99-14 - FLORIDA MUNICIPAL POWER AGENCY (FMPA) POOLED LOAN AGREEMENT

Joe Hostetler, director of Finance, noted that at the August board meeting, the Board authorized staff to proceed with the application process with FMPA for a pooled loan agreement. Mr.

Hostetler reviewed the proposed resolution and handed out a letter from KUA's bond counsel. He explained that money would be drawn down every six months as needed from the loan. He also noted that the market would be monitored continually and if rates come down, KUA would secure a fixed rate and bring it back to the Board.

Craig Dunlap from Dunlap & Associates was present to answer questions. He noted that the six-month time frame has to do with the ability to earn interest at a rate higher than is paid.

ACTION: Motion by Director Hord, seconded by Director Gant, to approve resolution 99-14 and authorize the Chairman and Secretary to execute the resolution.

Motion carried 5 - 0

2. RESOLUTION 99-12 AMENDING BOND RESOLUTION

Jim Welsh noted that over the last several months KUA has been preparing to issue fixed rate bonds to fund Cane Island 3. He noted that with the pooled loan from FMPA this would not be necessary, however, the resolution will incorporate amendments in future bond financing.

Robert Freeman from Squire, Sanders and Dempsey, noted that most of the changes are housekeeping items. He expressed the importance of having flexibility in a possible deregulated market.

Discussion was held on the reasons for reducing the fiscal policy from 1.5 to 1.1.

ACTION: Motion by Director Guthrie, seconded by Director Toro, to approve resolution 99-12 and authorize the Chairman and Secretary to execute the resolution.

Motion carried 5. 0

H. NEW BUSINESS

1. AWARD OF CONTRACT FOR PROPERTY INSURANCE AND WORKER COMPENSATION INSURANCE RFP # 103-99

Neville Turner, director of Personnel, noted that a request for proposal was sent to three direct writing insurance companies and four brokers who contacted fourteen insurance companies. He reviewed the analysis from Risk Management Group. Workers' Compensation premiums were discussed in depth. Bill Brown of Risk Management Group, explained that the premiums are dependent upon loss experience. Sam Lupfer of Lupfer-Frakes Insurance explained that since managed care has come to Workers' Compensation, Florida Statute determined what is paid for claims. He noted that 100% of medical expense is paid and a percentage of wage loss. He also reported that the Workers' Compensation doctors have a rate schedule for charges and they can not charge more. Director Hord noted that the incentive to KUA is to keep lost-time accidents down to keep premiums low.

ACTION: Motion by Director Hord, seconded by Director Toro, to approve awarding the contract to Preferred Governmental Insurance Trust (PGIT) for Workers' Compensation Insurance for one year (First year premium \$63,082, plus paid losses) with renewal annually based upon acceptable negotiated terms.

Motion carried 5 - 0

KUA received a relatively limited number of proposals for the Property and Boiler & Machinery insurance. The property insurance

from Hartford Steam Boiler will enable KUA to continue to purchase the broad coverage as in the past, while at the same time significantly reduce the annual premium expenses for the coverage. Mr. Brown noted the premium was reduced because of the competitive market and the good working relationship between KUA and Hartford Steam Boiler.

ACTION: Motion by Director Hord, seconded by Director Guthrie, to approve awarding the contract to Hartford Steam Boiler for property insurance for one year (First year premium \$304,920) with renewal annually based upon acceptable negotiated terms.

Motion carried 5 - 0

2. LINE EXTENSION FEE WAIVERS - POLICY DIRECTIVE D99-2

Ken Davis, director of Transmission & Distribution, distributed a legislative copy of the amended line extension fee waiver directive. Mr. Davis pointed out the amendments to the directive and noted that as it now stands there is potential liability as far as refunds. The amended directive would place a time limit on refunds of line extension fees.

ACTION: Motion by Director Toro, seconded by Director Guthrie, to approve policy directive D99-2, Line Extension Fee Waivers, replacing policy directive D98-3.

Motion carried 5 - 0

3. OSCEOLA TV

Chris Gent, manager of communications, gave a presentation on a plan to bring a local government cable access channel to Osceola County. He noted that the City of Kissimmee, Osceola District Schools and possibly Osceola County would be joining together to bring this channel to Osceola residents. All expenses would be evenly divided.

Wayne Larson, public information officer for the City, reported that the proposal would not be implemented until all participants are confirmed. Mr. Larson noted that this channel would be available through Time Warner Communications only at this time and he talked about the possible scheduling needs of each.

General Manager Welsh expressed that Osceola TV would not take the place of other forms of marketing for KUA. Discussion was held on the advantages and disadvantages of going into the project. Mr. Welsh noted that Time Warner provides the infrastructure for the cable system at no cost to KUA.

ACTION: Motion by Director Gant, seconded by Director Toro, to authorize the President & General Manager to appoint a staff member to the Osceola TV Committee, and authorize start-up capital costs and first-year operating expenses, in the amount of \$36,866, to come from operating contingency. Future operating expenses for Osceola TV would be included in the Communications division budget.

Motion carried 5 - 0

4. AWARD OF CONTRACT TO PAUWELS CANADA FOR THE SUPPLY OF THE GENERATOR STEP-UP TRANSFORMERS FOR CANE ISLAND UNIT

3

No discussion was held. Director Hord temporarily left the room.

ACTION: Motion by Director Gant, seconded by Director Guthrie, to award the contract to Pauwels Canada for the supply of the two generator set-up transformers for Cane Island Unit 3 for the contract price of \$1,662,877 subject to successful negotiation of the contract.

Motion carried 4 - 0

5. **AWARD OF CONTRACT TO BALCKE-DURR FOR THE SUPPLY AND ERECTION OF THE COOLING TOWER FOR CANE ISLAND UNIT 3**

Ben Sharma, director of Power Supply, explained why Balcke-Durr was selected to supply and erect the cooling tower for Cane Island 3.

ACTION: Motion by Director Guthrie, seconded by Director Toro, to award the contract to Balcke-Durr for the supply and erection of Cane Island Unit 3 Cooling Tower as per their Alternate 2 bid for the contract price of \$1,135,503 subject to successful negotiation of the contract.

Motion carried 5 - 0

6. **STATUS UPDATE OF THE CANE ISLAND UNIT 4 REQUEST FOR EXPRESSION OF INTEREST (RFEI)**

General Manager Welsh reported that as late as 4:30 PM that day he had three possible recommendations to offer the board. One was to continue to negotiate and return to the board at a later time with a recommendation. The second one was to recommend authorization for the President & General Manager to execute an agreement with one of the three companies with which KUA was in negotiations based on specific parameters and the third recommendation (and the most desired one) was for the Board to authorize the execution of a contract or a memorandum of understanding with Southern Company.

Ben Sharma noted that the three firms who responded to the RFEI were Carolina Power & Light, Duke Energy North America LLC, and Southern Wholesale Energy. The proposal given by Southern Wholesale Energy meets the needs of KUA.

Board members asked if Southern Wholesale Company was a reputable company and what were their credentials. Mr. Sharma noted that Southern Wholesale is a subsidiary of Southern Company which is the parent company of Georgia Power Company, Mississippi Power Company, Gulf Power Company, Alabama Power & Light Company and they have companies based in Argentina and China. He also said they are established in Florida.

Mr. Sharma explained that Southern has requested that if the negotiations were discontinued and KUA decides to build Cane Island Unit 4 using any work product developed by consultants and paid for by Southern, but partners with another company, then KUA would reimburse Southern Wholesale for the work product plus interest.

ACTION: Motion by Director Hord, seconded by Director Gant, to authorize the President & General Manager to execute upon receipt of an executed copy of the attached Memorandum of Understanding (MOU) with Southern Wholesale Energy for exclusive negotiations for 90 days for the development of Cane Island Unit 4 and approve not-to-exceed amount of \$483,700 for consultants' fees and the associated scope of work for the exclusive negotiation period which in turn will be paid by Southern.

Motion carried 5 - 0

I. STAFF REPORTS

1. MONTHLY PROGRESS REPORT ON T&D PROJECTS

General Manager Welsh noted that this is a written report.

2. MONTHLY REPORT ON POWER SUPPLY DEPARTMENT PROJECTS

Mr. Welsh noted that this is a written report.

3. CONDENSED FINANCIAL REPORT - AUGUST 1999

Mr. Hostetler reviewed the condensed financial report for August. He noted that megawatt sales were 9% above budget for the month of August, making it 3% over for the year. Mr. Hostetler reviewed the operating and maintenance expenses and reinvested earnings to date.

4. AUGUST 1999 INTERNET SERVICES PROVIDER UPDATE (ISP)

Mr. Hostetler gave a financial overview of the ISP. He noted that year-to-date figures show actual loss is less than projected loss. He noted that KUA is moving into hosting business web sites that will increase commercial sales revenues with little additional expense. Director Hord asked when KUA.net would be breaking even and Mr. Hostetler said that hopefully within the next year.

Chris Beck, director of Marketing, reported on the ISP customer growth and the reasons for customer termination of service. Organizational fund raising using KUA.net, affinity contracts, refer-a-friend program, and newly offered rates to meet customer needs were discussed. Ms. Beck reviewed the "Flash Rate" for \$4.50 that would allow customers to be connected to the Internet on a limited basis. She noted possible use of this rate would be for customers who wanted to check their e-mail or those who would use less than 3 hours per month of time.

Director Hord asked if this rate would make money for KUA. Ms. Beck and Mr. Welsh both confirmed that this would make money because anything over the 3 hours per month would be charged at \$2.50 per hour in addition to the base rate. Ms. Beck also noted that research has shown that other Internet Service Providers offer reduced rates for limited usage.

J. CONSENT AGENDA

Director Toro requested that items #2 and #3 be removed from the consent agenda for discussion.

1. APPROVAL OF MINUTES OF AUGUST 25, 1999 REGULAR MEETING

ACTION: Motion by Director Gant, seconded by Director Guthrie, to approve the consent agenda with the exception of items #2 and #3.

Motion carried 5 - 0

Ben Sharma detailed items #2 and #3 for the Board. He noted both of these contracts were awarded by the Board at an earlier meeting. The contract price covered basic features and the additional options are to improve operational efficiency and safety. Don Schultz from Black & Veatch also detailed the options.

2. PURCHASE OF ADDITIONAL OPTIONS FROM AALBORG INDUSTRIES ON THE CANE ISLAND UNIT 3 HEAT RECOVERY STEAM GENERATOR
3. PURCHASE OF ADDITIONAL OPTIONS FROM GENERAL ELECTRIC ON THE STEAM TURBINE FOR CANE ISLAND UNIT 3

ACTION: Motion by Director Toro, seconded by Director Guthrie, to approve items #2 and #3 of the consent agenda.

Motion carried 5 - 0

K. HEAR GENERAL MANAGER, ATTORNEY, DIRECTORS

General Manager Welsh reminded the Board that the annual board picture would be taken at 5:30 PM prior to the October board meeting. He also noted that the Local Delegation from Tallahassee would be meeting in the Brinson Board Room on October 26, 1999 at 4:00 PM. Other reminders included the Quarter Century Club dinner on October 28 and the Employee Organization Committee appreciation dinner on November 4.

Attorney Brinson noted that the Attorney-Client Session (shade meeting) had been canceled for September 22. He said it would most likely be rescheduled for the October 27 meeting.

Director Guthrie was honored by the other board members for his years of service as a KUA board member. Director Gant read a proclamation and presented a lamp to him. Director Toro presented a board picture to Director Guthrie. The Board thanked him for his guidance and service over the past five years. Director Guthrie expressed his appreciation.

Chairman Walter recessed the meeting from 8:25 PM to 8:32 PM.

L. MANAGEMENT REVIEW

Each board member gave the General Manager a number rating and these were averaged for a 3.2 overall rating. Discussion was held on the President's salary range and it was determined not to exceed the salary range. General Manager Welsh explained the process to Director Gant.

ACTION: Motion by Director Hord, seconded by Director Guthrie, to approve a 3.919% increase (up to \$123,409) to the President's salary effective in the pay period in which the anniversary date (December 6th) of the General Manager falls.

Motion carried 5 - 0

The Board expressed their appreciation to Mr. Welsh for doing a good job of managing KUA. They noted that his help is invaluable. The general manager thanked the Board for their evaluation and their consideration.

M. ADJOURNMENT - Meeting was adjourned at 8:58 p.m.


CHAIRMAN

ATTEST:


SECRETARY